

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 CAB-02 CIAE-00
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O R 262034Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 4434
AMECONSUL HONG KONG
INFO USMISSION GENEVA

C O N F I D E N T I A L LONDON 8820

C O R R E C T E D C O P Y (PARA 2)

PASS DOT (DAVENPORT, KAMM), CAB (WEST, RODRIGUEZ),
WHITE HOUSE (JOHNSTON)
GENEVA FOR ASSISTANT SECRETARY KATZ

E.O. 11652: GDS
TAGS: EAIR, UK, HK
SUBJECT: US-UK CIVAIR NEGOTIATIONS: REPORT ON MAY 26

1. MEETING SCHEDULE FOR FRIDAY, MAY 27: JUTZKE TO HAVE
MEETINGS ON USER CHARGES AND CUSTOMS ARTICLE. WORKING
GRP TO MEET IN PM ON CAPACITY, NORTH ATLANTIC ROUTES.
NEXT SESSION ON HK ROUTES IS MONDAY AM. REPORT ON
TODAY'S WORKING GROUP MTG ON HK ROUTES, CAPACITY,
DESIGNATION, GATWICH ISSUES FOLLOWS:

2. HONG KONG ROUTES

A. SHOVELTON OPENED BY EXPRESSING FACT UK IS DISTURBED
BY US'S WITHDRAWING JAPAN AS INTERMEDIATE POINT FOR UK
PACIFIC ROUTES (FROM ROUTE SCHEDULE IN US DOCUMENT 43).
BEGAN TACTICAL CHARADE: BECASUE US HAS WITHDRAWN JAPAN,
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UK IS WITHDRAWING US LIMITED 5TH FREEDOM BANGKOK, TOKYO
RIGHTS.
B. SHEVELTON THEN SUGGESTED BOTH SIDES STOP "DANCING
AROUND" ISSUES. UK WANTS (1) VANCOUVER AS INTERMEDIATE
AND BEYOND POINT, (2) SAME US POINTS AS US CARRIERS LESS
1, AND (3) SEATTLE, LA, SFO, NY, CHICAGO. AT PRESENT
UK IS SAYING NO TO US RIGHTS FROM HK TO PHILIPPINES,

SINGAPORE, INDONESIA, MALAYSIA, EXCEPT SO FAR AS THESE ARE AGREED FOR RTW ROUTE. (NOTE UK DID NOT SAY ABSOLUTELY NO.)

C. SHOVELTON SAID "UK IS SLIDING DOWN SLIPPERY SLOPE OF CONCEDED RTW TO US," BUT WITH LIMIT OF 7 FREQUENCIES PER WEEK. HE ASSERTED PACIFIC ROUTES STILL IMBALANCE: (1) US WILL EARN GREAT DEAL MORE THAN UK FROM THEM; (2) UK NEEDS RIGHTS IN PARA B (ABOVE) FOR OPTICAL REASONS, ALTHOUGH IT HAS "A LIKELIHOOD OF OPERATION IN THE NEXT 5 YEARS THAT IS FRANKLY PROBLEMATICAL."

D. BOYD SAID THIS MEANS WE'D BE GIVING HK MORE RIGHTS THAN JAPAN HAS. ROGERS COUNTERED THAT THAT'S IRRELEVANT, "FAIR IS FAIR."

E. SHOVELTON INDICATED UK WAS GRANTING RTW AND HK-BANGKOK, HK-TOKYO RIGHTS TO US. "IF YOU DON'T WANT IT, LET US KNOW." SAID CATHAY PACIFIC (CX) WILL MOUNT DAILY WIDEBODY TO US IN 1980'S. WE HAD ALREADY AGREED ON ATLANTIC THAT ROUTE EXCHANGE SHOULD BE RECIPROCAL EXCEPT 1 LESS POINT FOR UK; WANTED THIS CONCEPT ALSO ON PACIFIC.

F. SHOVELTON IMPORED US TO HAVE ANOTHER LOOK. BOYD SAID WE HAVE LOOKED AT IT, WILL LOOK AT IT AGAIN, BUT WITHOUT UK WILLINGNESS TO LOOK AT MORE 5TH FREEDOM RIGHTS FOR US, OUR RELOOK WILL BE FRUITLESS TASK.

G. REGARDING NOTES TO US ROUTE SCHEDULE, UK OBJECTS TO OPEN BLIND SECTORS TO/FROM UK HK AND CHANGE OF GAUGE AT HK.

H. SHOVELTON ASKED WHETHER US PROPOSAL DESIGNED TO COVER 2ND RTW SERVICE. BOYD SAID YES (THRU HK, BUT NOT LONDON).
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SHOVELTON: " YOU HAVE ASKED FOR MUCH MORE THAN WE THOUGHT."

I. SHOVELTON SAID HE FELT, ON BASIS OF CABLE TRAFFIC FROM HK, THAT US HAD THREATENED HK EXPORTS, WHICH BOYD DENIED. WE HAD INDICATED IT MIGHT BE IMPORTANT TO DO SO; WE WOULD NOT THREATEN ANYTHING WE COULD NOT CARRY OUT. SHOVELTON SAID IF US RESTRICTED HK TEXTILES, UK WOULD BE INVOLVED AND PERHAPS EC ON OTHER TRADE ISSUES.

J. ON ALL-CARGO 5TH FREEDOM, WONG REITERATED AMOUNT IS VERY SMALL, WHY IS US SO CONCERNED. BOYD SAID FLYING TIGERS SAYS THIS IS ABSOLUTELY ESSENTIAL; SINCE AMOUNT IS SMALL, WHY IS UK-HK SO BENT OUT OF SHAPE.

3. CAPACITY/NORTH ATLANTIC

A. UK SUBMITTED SOME NUMERICAL EXAMPLES TO SHOW HOW CAPACITY MECHANISM WOULD WORK.

B. SHOVELTON SAID THERE COULD BE MAJOR BREAK THROUGH ON CAPACITY IF US WANTED THRU SERVICE AND 5TH FREEDOM RIGHTS ONLY FROM NY. ANSWER: NO*

C. ROGERS SAID THAT IF US GAVE UP ROUTE NOTE 1 (PARA 3A OF LONDON 8150 -- SEE LONDON 8697, PARA 5, FOR ANOTHER EFFORT OF UK TO GET THIS POSITION CHANGED) UK WOULD BE WILLING TO HAVE LONDON-PARIS SEGMENT OF TW'S LA SERVICE PHASED OUT OVER TIME, RATHER THAN TERMINATED IMMEDIATELY.

4. DESIGNATION

A. ROGERS SAID DOUBLE DESIGNATION AT LA IS NOT ON. UK HAS REALLY GONE THAT LIMIT IN OFFERING RTW FOR PANAM; PANAM DOESN'T NEED LA RIGHTS. BOYD RESPONDED US DOESN'T NEGOTIATE ON CARRIER-BY-CARRIER BASIS.

B. ALL UK ROUTE OFFERS CONTINGENT ON DOUBLE DESIGNATION AT NY ONLY, AND 2ND CARRIER TO GO TO GATWICK.

C. BOYD POINTED OUT ENORMOUS SFO, BOS MOVEMENTS. ROGERS SAID OFCOURSE THESE ARE IMPORTANT, BUT SFO WAS SET UP FOR BARGAINING PURPOSES.

D. IN OTHER AREAS (BERMUDA, CARIBBEAN, HK) WHERE NO UK CONFIDENTIAL

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CARRIER WILL OPERATE, ROGERS SAID MUST HAVE 2 OR MORE US CARRIERS TO PROVIDE PUBLIC BENEFIT OF COMPETITIVE SERVICE. BUT IF US WANTS TO ADD MORE THAN PRESENT CARRIERS, SHOULD CONSULT WITH UK, AND UK SHOULD HAVE VETO RIGHT. IF UK CARRIER WANTS TO COME ONTO A ROUTE WITH MULTIPLE US CARRIERS, THEN US MUST REVERT TO SINGLE DESIGNATION TO GIVE COMPETITIVE OPPORTUNITY FOR UK CARRIER. CX IS PARTICULAR CONCERN.

5. GATWICK

SHOVELTON STRESSED HEATHROW SITUATION IS WELL-NIGHT INTOLERABLE. UK IS SERIOUS ABOUT GATWICK, WANTS HELP. IF US WOULD HELP, OTHER CARRIERS WOULD FOLLOW, WOULD RESULT IN BETTER UK ATTITUDE FOR REST OF NEGOTIATIONS. THREW OUT SUGGESTION OF RTW THRU GATWICK. SPIERS

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